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Think You Know the Truth About Wage Garnishments? It May be Time to Think Again

ADP's New Infographic Illustrates the Top Five Myths Surrounding Wage Garnishments

ROSELAND, NJ -- (Marketwired) -- 04/26/16 -- Garnishing an employee's wages has become a part of American business and an unfortunate truth for some employees. But a number of myths have blurred the line between fact and fiction in recent years.

According to [data from the ADP Research Institute®](#), 7.2 percent of U.S. employees have had their wages garnished. But many businesses and their employees have difficulty tracking wage garnishments and understanding their significance.

As a result, misconceptions about wage garnishments continue to percolate, leading to confusion about how to manage them to remain compliant with existing laws and regulations.

ADP has compiled the following five myths surrounding wage garnishments -- and the facts to debunk them:

- 1 **Myth No. 1: All Wage Garnishments Are the Same.** Wage garnishments can be issued to satisfy different types of obligations, with different laws, rules and other legal requirements applicable to each. The most common types include creditor garnishments, bankruptcy, child support, student loans, tax levies and wage assignments. Many of these, like creditor garnishments, child support and tax levies, are subject to distinct legal requirements that vary from state to state. Understanding each one is critical to ensuring compliance.
- 2 **Myth No. 2: Nothing New is Happening with Wage Garnishments.** New and evolving legislation continues to change the landscape of wage garnishments, with new legislation and judicial developments often requiring fast action by employers to adjust how they process wage garnishments to remain compliant with the law. A few of these proposed changes include the standardization of garnishment timeframes, the acceptance of electronic signatures on responses, a limit on maximum wage garnishment penalties, and requiring garnishees (employers) to providing additional/new documents to judgment debtors (employees). It is important to be aware of and understand pending and imminent rules -- and when they might take effect!
- 3 **Myth No. 3: Electronic Processing is Not Yet a Viable Option for Handling Wage Garnishments.** With the evolution of electronic processes across all areas of business, many employers have extended this practice into processing wage garnishments. In the area of child support, for example, electronic income withholding orders (e-IWOs) allow states to send IWOs to employers to accept or reject electronically. The Federal Office of Child Support suggests this is growing, with the number of eIWOs jumping to 1.6 million in 2015 from 926,000 two years earlier. Likewise, advanced and automated systems and methodologies can make electronic processing a viable option.
- 4 **Myth No. 4: Comprehensive Data on Wage Garnishments is Hard to Find.** A variety of studies in recent years shed light on wage garnishments and the reasons why employees have their wages garnished, including [ADP's own study](#), which revealed U.S. wage garnishment rates have decreased slightly from 7.6 percent in 2011 to 7.2 percent in 2013. In addition, these studies often break down data into specific industries that can be useful for businesses. ADP's study, for example, found that the manufacturing industry tends to have the highest number of employees with garnished wages.
- 5 **Myth No. 5: Staying Current on Compliance is Simple.** Remaining compliant with wage garnishment laws at federal, state and local levels can be a daunting task for businesses. In addition, employers may be liable for 100 percent of an employee's wage garnishment and could face severe penalties if they process wage garnishments incorrectly. The penalties for employees can also be severe, such as the revocation of a passport or driver's license from delinquent child support obligors. By offering training and resources to employees on wage garnishments, and carefully tracking ongoing legislation, employers can help reduce employee anxiety while reducing a company's financial risk when faced with wage garnishments.

"While wage garnishments affect employees nationwide and happen more frequently than people may think, many misconceptions have developed around how best to handle them," said Corri Flores, Director of Garnishment Agency Relations at ADP. "It's important for employers to treat wage garnishments as a high-priority. So understanding the nuances associated with wage garnishments, keeping up with the latest electronic processing trends, and enlisting a trusted expert to

help monitor ongoing legislative updates. These best practices can help employers stay compliant and be better equipped to assist their employees facing wage garnishments."

ADP's [Wage Garnishments Module](#) can help businesses track legislation that pertains to the different kinds of wage garnishments at the federal, state and local levels. Using a solution like this in conjunction with a holistic suite of human capital management services can help businesses produce strong bottom-line results while reducing costly compliance-related penalties.

To learn more about these myths, check out ADP's infographic [here](#).

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